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CENTRAL INTELLIGENCE AGENCY

~~INFORMATION REPORT~~

COUNTRY Pakistan

SUBJECT Economic Review

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- "In an economic review of the country, the governor of the State Bank of Pakistan refuted the arguments for the readjustment of the exchange rate as a measure for stimulating exports and said that devaluation would increase import costs and thus reinforce inflationary pressure in the economy. The decline in the country's foreign exchange earnings, he emphasized, had been due to the subdued state of international markets for major exports which had otherwise remained fully competitive. Admitting that the price control measures of the government had not achieved the desired objective, the governor explained that the cost of living was currently subjected to two opposite influences; (a) decline in agricultural prices resulting in some amount of dis-saving in the agricultural sector, and (b) the high level of prices in imported consumer goods. The obvious remedy was to increase domestic production and the governor expressed satisfaction that direct government outlay on industries and fiscal fillips to private industrial enterprise are bearing encouraging results.
- "Speaking of the balance of payments position, the governor said that though heavy deficits had been eliminated - from Rs 407.9 million in the year 1952-53, the deficit in the balance of payments has been reduced to Rs 27.9 million during the year 1953-54, - the trend continued to cause anxiety. The deficits had been controlled by a severe curtailment in payments but the continuous decline in foreign exchange receipts over the past four years constituted the main problem of the country's economy. Pakistan's foreign exchange reserves had declined to Rs 630 million underlining the need for restricting payments in coming years."

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